

Office of Thrift Supervision

Ellen Seidman

Department of the Treasury

Director

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The Honorable George W. Bush
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

It has been an honor and a pleasure to serve as the Director of the Office of Thrift Supervision for the past three and one-half years. During that period, the thrift industry has been strong and growing. It has originated more than twenty percent of all mortgages made to enable Americans to buy or refinance their homes and reaffirmed its commitment to serving all the nation's communities. The agency, weak when I was appointed in October 1997 because of a five-year lack of a confirmed Director and constant concern over its survival, is strong and healthy with a highly competent, well-motivated staff. The vigorous and effective efforts of our employees and the steps taken to strengthen institutions threatened with trouble have contributed to there having been only two failures of thrift institutions during this period, both extremely small.

You have asked for my resignation, which I hereby tender, effective on the confirmation and appointment of my successor. I accede to your request, notwithstanding the fact that I was appointed for a term of five years that would end in October 2002, because I believe it is based entirely on the desire of the new Administration to have its own choices in senior government positions, and is not a response to any supervisory or regulatory actions I have taken.

Nonetheless, I do this reluctantly. This is not an issue of personal desire to stay on the job. I feel I have accomplished much and, after more than eight years in government, I welcome the opportunity to turn the job over to a successor and spend more time with my family, including my only child during his senior year in high school. Rather, I am concerned that the request to cut short the 5-year term calls into serious question the independence of the Office of Thrift Supervision.

OTS was created in 1989, out of the ashes of the thrift crisis. Congress chose to put the agency in the executive branch, "in the Department of the Treasury," and the Director is "subject to the general oversight of the Secretary of the Treasury." However, both the Director and the agency also were given by statute a great degree of independence and explicit protection against interference in regulatory and supervisory decisions. That protection was reinforced by financing the agency from assessments on the institutions it regulates and by

establishing a fixed term for the Director. Congress took these measures so that OTS and its Director would be free from outside pressure as they carry on their difficult and sometimes unpopular task of maintaining the safety and soundness of an important portion of the banking system and protecting the deposit insurance funds. Ignoring the 5-year term creates an unfortunate precedent: it implies that the office can be treated as a typical executive branch position in which senior officers serve at the pleasure of the President, so that any Director may be dismissed at any time for any reason, including by a President motivated by displeasure at the Director's official actions.

I suggest it would be wise to avoid this problem by a legislative change that would preserve the necessary independence of OTS while explicitly affording a new President the flexibility to choose a new team at the start of an administration. I urge the Administration to submit to Congress legislation that would fix the term of the Director at four years, to end on July 31 of the year after which a President is elected, while retaining all other elements of the existing statutory scheme.

I have sincerely appreciated the opportunity to serve OTS and the American people.

Sincerely,

Ellen Seidman
Director